

- ***Service Set:*** *Business & Financial Services*
- ***One Book Process:*** *Contractor Estimating System Review (CESR)*
- ***Process Owner:*** *Dave Mabee,  
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- **Contract/Customer/FAR requirements**
  - ***FAR/DFAR requirements***
    - **Disclosure**
    - **Adequacy/timeliness of proposals**
    - **Ability to produce current, accurate, complete estimates**
  - ***CESR; defective pricing audits; other relevant reports***
- **Common key processes/systems**

■ ***FPRA, Accounting system, MMAS, EVMS***  
RATIONALE: FPRA is a key process because it affects acquisition lead time and provides critical cost performance metrics. History for this contractor indicates that the lack of an FPRA increases schedule and cost risk. An assessment will be conducted to identify and analyze risk factors....

## Identify

ID	Risk Description
1	Accounting system change
2	Last two FPRA proposals
late	Increasing employee turnover

### Probability of Failure

- e. Near certainty
- d. Highly likely
- c. Likely
- b. Unlikely
- a. Remote

**Pf**

e					
d					
c			3	2	
b			1		
a					
	1	2	3	4	5

**Cf**

## Analyze

### Consequence of Failure

1. Minimum or No Consequence
2. Small Reduction in Performance
3. Moderate Reduction in Performance
4. Significant Degradation in Performance
5. Total System Failure

## Quantify

### Risk Assessment

- Significant Risk - unacceptable, major disruption likely, high priority, mitigating actions necessary
- Moderate Risk - may be acceptable, some disruption, lower priority, mitigating actions may be necessary
- Low Risk - minimal impact, routine processes and procedures

**RATING RATIONALE:**  
Risk rated **MODERATE** due to recent proposal delays, and increasing employee turnover. No accounting changes expected until next FY. Potential for high risk rating if company

- **Risk Handling tools**

- ***Accounting system changes***

- **No action necessary. Contractor provided milestones for annual disclosure statement revision**

- ***Recent proposal delays***

- **System analysis - form IPT to identify root cause(s) and recommend corrective actions (issue Level II CAR)**

- ***Adjust negotiated rates to reflect employee***

A Level II CAR has been issued to address the problem of late proposals. Contractor has agreed to form an IPT to evaluate proposal preparation process, identify root cause(s) of delays, and recommend corrective actions. Review to be completed by 30 June. Corrective action plan with milestones due NLT 2 July. A Level I CAR was issued to ensure that the recent increase in employee turnover is reflected in scheduled July rate update. All proposal reviews

- **Monitoring assessed risk for impact on risk rating**
  - ***Monitor metrics established during assessment phase***
    - **Accounting system changes**
      - ◆ ***Ensure that contractor is meeting milestones***
    - **Late proposals**
      - ◆ ***Monitor progress against corrective action plan***
    - **Adjusting rates due to turnover**

**RATIONALE:** Contractor failed to notify government of significant accounting change prompted by divestiture. Level III CAR issued. Agenda item at 15 August Management Council meeting. Reduced progress payments until contractor can demonstrate impact of accounting system changes. Partially disapproved estimating system. Notified customers of intent to reject proposals where impact cannot be identified. Working with DCAA to

- **Planning**

- *Identify data sources for historical information*
- *List potential risk areas*
- *State how you plan to assess them*

- **Assessment**

- *State what you did & what the results were*
- *Identify ways to mitigate the risk*
- *Establish metrics*

- **Handling**

- *State what you did & what the results were*
- *Document corrective actions*

- **Monitoring**